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IAC-D-53/4


24 September 1953

INTELLIGENCE ADVISORY COMMITTEE

**FIRST ANNUAL PROGRESS REPORT OF
THE INTELLIGENCE WORKING GROUP**

Subject progress report is attached for the information of the IAC members and comment as desired at an early IAC meeting.

25X1A


Secretary

IAC-D-53/4

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IWG/R-13
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FIRST ANNUAL PROGRESS REPORT OF THE IWG

August 1952 - July 1953

I. Authority for the Intelligence Working Group

The Director of Central Intelligence approved the proposal of the Director for Mutual Security and the Secretary of State for the establishment of an Intelligence Working Group (IWG) for direct intelligence support of the Economic Defense Advisory Committee (EDAC). The proposal was indorsed by the Secretary of Defense. IWG Terms of Reference were approved by the Intelligence Advisory Committee on 25 July 1952 (IAC-D-53/1) and amended by IAC-D-53/3.1 of 25 February 1953.

II. Organization of the Intelligence Working Group

The IWG is composed of members from the intelligence sectors of the Departments of State, Army, Navy, and Air Force, and the Central Intelligence Agency. Associate membership is held by the Office of the Administrator for Mutual Defense Assistance Control of the Foreign Operations Administration, the Office of the Secretary of Defense, the Foreign Operations Administration, and the Departments of Commerce, Treasury, and State (Economic Defense Staff and Office of Munitions Control). Any other agency having interest or competence in the field of economic defense intelligence may be invited to sit with the Group. CIA/RR provides the Chairman and the Executive Secretary.

During the past year fourteen subgroups were established to provide IWG with specialized research and technical advice in specific fields of economic defense. Five of the subgroups are currently operative. The others have completed their assignments.

III. Purpose of IWG and Relationship to EIC

The IWG is unique within the U.S. Government in acting as an inter-agency service facility for the review, coordination, and production of timely economic intelligence which is directly applicable to current or impending problems of economic defense policy or operations and is not exclusively within the mission or responsibilities of any existing agency or interagency groups. Its purpose, as stated in its Terms of Reference is "to develop and furnish intelligence to the EDAC for policy making and operations in the economic defense field...and to develop closer continuous relationships among the operations, policy-formulation, and intelligence-research elements engaged in the economic defense program."

This document contains information affecting the national defense of the United States within the meaning of the Espionage Laws (Title 18, U.S.C., Sections 793 and 794) [25 June 1948]. The transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

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The role of the IWG differs from that of the Economic Intelligence Committee (EIC) which is responsible for "fundamental economic research...relating to the national security." The IWG looks to the EIC and other research facilities for basic research support.

IV. Responsibilities and Accomplishments of the IWG

A list of all cases which have been formally placed before the IWG for consideration will be found in Tab A. Most of these cases have resulted in the preparation of papers (listed in Tab B) which have been furnished to EDAC components.

The major responsibilities placed upon the IWG under its Terms of Reference, together with an indication of the IWG's progress during the past year in meeting them, follow:

A. Responsibility: Prepare or arrange for the preparation of reports which present the best available economic intelligence on problems of concern to the EDAC.

Progress: The IWG has prepared twenty-one papers involving research and analysis in particular fields of economic defense (Tab B). Ten were concerned primarily with strategic commodities while six were in the field of shipping intelligence. The remainder involved export controls generally. The IWG is now being used as the mechanism through which intelligence studies of the Soviet bloc supply position and strategic uses in the bloc of specific commodities are prepared, reviewed and coordinated.

B. Responsibility: Provide current intelligence to the EDAC in response to specific requests or on its own initiative.

Progress: The IWG has been instrumental in providing current intelligence to assist action agencies in meeting their current or impending problems of economic defense policy or operations. Of nineteen papers of this nature prepared by IWG, fifteen have been significant items of intelligence in the shipping and commodity movement fields contributed by the ONI member for use by EDAC (see Tab C). In addition, several urgent requests by action agencies have been handled under the aegis of the IWG directly by analysts in the several intelligence agencies, time not having permitted the matter to be formally placed on the IWG agenda for review.

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The effort made by IWG to establish procedures for the collation of current intelligence for the purpose of providing action agencies with the processed intelligence they require as a basis for preventive and/or remedial action is covered in the statement of progress under subsection D and Tab D, following.

C. Responsibility: Determine the necessity, desirability, and feasibility of obtaining further information or intelligence concerning the subject matter of specific reports or to fill specific gaps, and recommend action by appropriate agencies to meet these needs.

Progress:

1. An IWG subgroup was established in response to a specific request of the EIC Subcommittee on Requirements and Facilities for Collation to prepare "a consolidated set of requirements for collection...on East-West trade". This subgroup was instructed to ascertain existing guidance to collection agencies, formulate recommendations for over-all priority requirements for collection, identify critical deficiencies in fulfilling such requirements, and make appropriate corrective recommendations (see Section V.).

2. An IWG paper, "Report on COCOM Statistical Reporting," pointing out inadequacies and deficiencies in the reporting system, was forwarded to EDAC to be used by that Committee as the basis for the preparation of an instruction to the U.S. Delegate to COCOM.

3. Various agencies have formulated and served detailed collection requirements upon appropriate collection agencies to obtain further information or intelligence concerning the subject matter of specific reports or to fill specific gaps.

D. Responsibility: Arrange for the mobilization of the economic data and analyses relevant to appropriate needs of the EDAC.

Progress: Four principal developments (see Tab D) having bearing on the above responsibility, were:

1. Recommendation for the establishment in CIA of a unit to process current economic defense intelligence and to collate such intelligence for use of the operating agencies. This recommendation was approved and the unit has been set up.

2. Establishment of uniform procedures for the production and approval for release of IWG papers.

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3. Preparation of recommended instructions to the field for the lateral distribution of current intelligence on suspected diversion of controlled commodities to the Soviet bloc was coordinated through the IWG.

4. Transmittal of a memorandum to appropriate officials of SOVMAT and JMIA listing four categories of information about Soviet bloc equipment that is of significance to the IWG and the EDAC agencies, and requesting distribution to IWG of all analyses falling within those categories.

V. Major Problems and Objectives

A. Statement of U.S. Policy Pertinent to IWG Activities

The new U.S. policy directive in the field of economic defense will guide EDAC and IWG activities during the coming year. Particularly pertinent are the following objectives requiring intelligence support as outlined in this directive: (1) Improve the availability and utilization of current intelligence in matters relating to enforcement of controls which have been agreed by the free world; (2) Develop ancillary measures, including control over transit trade and transshipment, free port activities, financial controls, and black-listing, to improve implementation and enforcement of agreed control systems, particularly control over strategic commodities; (3) tighten the control list criteria and review the strategic rating of commodities on the control lists to provide for the selection of commodities which contribute significantly to the Soviet war potential.

B. Discharge of IWG Responsibilities under New Policy

1. To provide the intelligence support essential to the implementation of the new U.S. policy, the IWG must intensify its efforts to make current economic defense intelligence available to action agencies. A major forward step has been the creation, at the request of IWG, of the current intelligence unit within CIA. This unit cannot operate at maximum effectiveness, however, unless ways are found to assign higher priorities to the collection of information relevant to economic defense. It also may be appropriate for the IWG to inquire into the causes of delay in the transmission to Washington of East-West trade information and its dissemination to appropriate agencies. Approval and implementation of proposed instructions for lateral distribution of East-West trade information in the field should facilitate the prevention of trade control violations.

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2. The tightening of the criteria for the selection of commodities which contribute significantly to the Soviet bloc war potential will place an additional work load of commodity review and analysis upon the IWG. It will require increased vigilance on the part of the intelligence agencies in the detection of changing economic vulnerabilities within the bloc. The extent of this work load will be dependent upon the outcome of the programs being developed by the action agencies having responsibilities under this new policy directive.

3. The full potential of the IWG for intelligence support has not yet been utilized by action agencies or working groups of the EDAC structure. IWG/AM-8, distributed in EDAC as EDAC D-48, establishes a mechanism by which EDAC agencies (and working groups within the EDAC-ACEP structure) may request direct intelligence support from the IWG. These established procedures are assisting the action agencies and interagency work groups in drawing upon the IWG facilities. In furthering this effort to maximize the contribution of the IWG as the focal point of intelligence support for economic defense, CIA is now putting through the Group for review and coordination most of its intelligence, including commodity analyses, which formerly went directly to other working groups. It is hoped that the objective of realizing the full potential of the IWG will be reached during the coming year.

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Chairman
Intelligence Working Group

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TAB-A

LIST OF ALL IWG CASES
August 1952 - July 1953

<u>IWG Designation</u>	<u>Title</u>
IWG Case No. 1	Proposed Shipment 2,000 Tons Copper from Turkey to Communist China
IWG Case No. 2	Soviet Bearing Production and Procurement
IWG Case No. 3	Prior Commitments
IWG Case No. 4	Greek Shipping Cartel
IWG Case No. 5	Greek Flag Merchant Ships Trading with Communist Far East
IWG Case No. 6	DDR Procurement Efforts
IWG Case No. 7	Collection Requirements on East-West Trade
IWG Case No. 8	Belgian Ships for USSR
IWG Case No. 9	Merchant Shipping Intelligence
IWG Case No. 10	Danish Tanker APSHERON
IWG Case No. 11	Chinese Communist Trade
IWG Case No. 12	Radar Carried by SS FRYDRYK CHOPIN
IWG Case No. 13	Sale of TAVIRA (formerly ATLANTIC II, now PRACA) to Poland
IWG Case No. 14	Activities of INTERCONTINENTAL AIRWAYS
IWG Case No. 15	Alleged Refuelling of Polish Ships with Iranian Oil
IWG Case No. 16	Delivery of Antimagnetic Schooner by Finland to the Soviet Union
IWG Case No. 17	Cargoes of Oil Carried by Polish Ship RYSY, Rotterdam to Gdynia
IWG Case No. 18	[REDACTED]
IWG Case No. 19	Exploitation of Intelligence on Soviet Materiel (Foreign Equipment)
IWG Case No. 20	EDAC Operational Memorandum for IWG Activities
IWG Case No. 21	Diversion of Korean Scrap to Communist Destinations
IWG Case No. 22	Western Repair and Construction of Merchant Vessels for Soviet Bloc
IWG Case No. 23	Activities of FRITZ DIEPEN
IWG Case No. 24	Chinese Communist Procurement of Power Generating Equipment
IWG Case No. 25	Illegal Sale of MDAP Armament to Eastern Europe
IWG Case No. 26	Bunkering of Vessels in China Trade
IWG Case No. 27	Soviet or Satellite Chartered Vessels and Merchant Vessels Trading with the Communist Bloc
IWG Case No. 28	N. V. Philips Co., Eindhoven, the Netherlands
IWG Case No. 29	Spectrograph for Institut for Anorganische Technologie der Technischen Hochschule, Vienna, Austria

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TAB-A

<u>IWG Designation</u>	<u>Title</u>
IWG Case No. 30	Sale of Italian-Built Ship to Bulgaria
IWG Case No. 31	
IWG Case No. 32	Request for Intelligence Evaluation of Soviet Bloc Cobalt Production Capabilities vs. Requirements
IWG Case No. 33	Request for Intelligence Study on the Movement, Including Transshipment, of Strategic Commodities from the Middle East to the Soviet Bloc
IWG Case No. 34	Smuggling from the Ryukyus
IWG Case No. 35	Polish Coal Situation
IWG Case No. 36	Intelligence Data for U.S. Delegate to CHINCOM
IWG Case No. 37	Intelligence Requirement - Transit Trade Involving Sweden and Switzerland
IWG Case No. 38	Finnish Tanker Fixture for China Run
IWG Case No. 39	U.S. Mining Equipment for Expansion of Spanish Pyrites Production
IWG Case No. 40	Reported Movement of Rails from Antwerp, Belgium, to Constantza, Rumania, by Costa Rican, Turkish and Italian Vessels
IWG Case No. 41	Dissemination of Economic Defense Intelligence in the Field
IWG Case No. 42	Communist China - French Barter Deal for Nitrogenous Fertilizer
IWG Case No. 43	Request for Information on Strategic Importance of Hides and Leather to Soviet Bloc, Particularly Communist China
IWG Case No. 44	Financial Operations of the Soviet Bloc in its Economic Relations with the Free World
IWG Case No. 45	Soviet Efforts to Procure Aircraft Parts and Components
IWG Case No. 46	Strategic Importance of Dichlorodifluoromethane (Freon 12) to the Soviet Bloc
IWG Case No. 47	Swiss Bank Financing of Strategic Exports to the Soviet Bloc
IWG Case No. 48	The Tractor Situation in the Soviet Bloc
IWG Case No. 49	Diversions to the Soviet Bloc of Strategic Materials Originating in Non-COCOM Countries (South Africa: lead; Bolivia, tin, tungsten)
IWG Case No. 50	Strategic Importance of Magnetic Recorders and/or Reproducers to the Soviet Bloc
IWG Case No. 51	Strategic Importance of Kyanite to the Soviet Bloc
IWG Case No. 52	Pharmaceuticals: Communist China's Supply Position in Antibiotics, Anti-Malarials and Sulfanomides

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TAB-B

LIST OF ALL IWG STUDIES COMPLETED OR IN PROCESS
August 1952 - July 1953

<u>IWG Designations</u>	<u>Title</u>	
IWG/AM-4	Table of New Construction in Hand and on Order in Western Countries for USSR Merchant Fleet - June 1952	
IWG/AM-9	Glycols - Item IL 1727	
IWG/AM-10	Conveyor Belting and Item 310b - Power Driven Conveying Equipment	
IWG/D-1	Danish Tanker APSHERON	
IWG/D-2	Utilization of Soviet Bloc Merchant Shipping Intelligence by the United States Coast Guard	25X1C
IWG/D-3	ONI Report on Western Shipyard Services to Soviet Merchant Fleet, 1 January - 30 June 1952	
IWG/D-5	Soviet Metallurgical Techniques	
IWG/D-6	Chronology of CCOM Transit Trade Control Discussions	
IWG/D-7a	[REDACTED]	
IWG/D-8c	Response to ODMS Questions Regarding Soviet Bloc Cobalt Position	25X6
IWG/D-12	[REDACTED]	
IWG/D-19	Movement of Scrap Metals from the Middle East - 1952	
IWG/D-31	Strategic Importance of Dichlorodifluoromethane (Freon 12) to the Soviet Bloc	
IWG/D-33a	Strategic Importance of Magnetic Recorders and/or Reproducers to the Soviet Bloc	
IWG/R-1	Alleged Refuelling of Polish Ships with Iranian Oil	
IWG/R-5	Communist China's Imports of Ammonium Sulfate	
IWG/R-6	Report on CCOM Statistical Reporting	
IWG/R-7	Soviet Bloc Kyanite Position	
*IWG/R-8	Examples of the Role of Swiss Banks in Financing of East-West Trade Since 29 August 1952	
*IWG/R-9	The Tractor Situation in the Soviet Bloc	
IWG/FE-1	Material for Use in China Committee	

* All of these studies were completed in the period August 1952 - July 1953 except those marked with a single asterisk.

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TAB-C

LIST OF ALL IWG CURRENT INTELLIGENCE CONTRIBUTIONS
August 1952 - July 1953

<u>IWG Designation</u>	<u>Title</u>	
IWG/AM-7	Finnish Tanker Fixture for China Run	
IWG/D-10	ONI Information on Movements of Specified Ships	
IWG/D-13	ONI Information Regarding Mer ship HOIGH MERCHANT	
IWG/D-14	ONI Contribution - Cargo Information on Vessels in China Trade	25X1C
IWG/D-15	ONI Information Regarding SS MUZAFFER	
IWG/D-16	ONI Information on Greek Mer ship HELIAS	
IWG/D-17	ONI Information on "Shipments of Strategic Materials"	
	[REDACTED]	
IWG/D-18	ONI Information on Movement of Strategic Materials from China to Poland	
IWG/D-21	ONI Contribution - Shipment of Strategic Materials from Beirut, Lebanon	
IWG/D-22	ONI Contribution - Metal Scrap Movements to Poland	
IWG/D-24	ONI Information Regarding Merchant Vessels in the China Trade	25X6
IWG/D-25	[REDACTED]	
IWG/D-26	ONI Contribution - Strategic Commodity Movements to Soviet Bloc	
IWG/D-27	ONI Contribution - Voyage of Portuguese Mer ship TIMOR from Europe to Hong Kong and Macao, January - February 1953	25X6
IWG/D-28	[REDACTED]	
IWG/D-29	ONI Contribution - Transmittal of Merchant Marine Intelligence Regarding Bunker Controls	25X6
IWG/R-3	CIA Statement on Radar Reportedly Carried by SS FRYDRYK CHOPIN	
IWG/R-4	[REDACTED]	
IWG/ID-1	Foreign Sale of Fastax High Speed Film	

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TAB-D

PRINCIPAL DEVELOPMENTS IN THE MOBILIZATION OF ECONOMIC
DATA RELEVANT TO NEEDS OF EDAC

1. Establishment of Procedure for Processing Current Economic Defense
Intelligence

In response to a request of the Steering Group (new Executive Committee) of EDAC, IWG prepared and forwarded to CIA a paper (IWG/CI-2 of 5 February 1953, as amended 3 March 1953) which pointed up the deficiencies of then-existing arrangements "for processing the considerable amount of raw intelligence and incompletely-evaluated intelligence now being received regarding Soviet bloc procurement activities." This paper recommended that "the CIA designate a unit within that Agency to process current East-West trade intelligence..... for the purpose of serving through the IWG the needs of the EDAC structure." By memorandum of 16 March 1953, the Assistant Director for Research and Reports, CIA, approved the establishment of such a unit. It is now functioning on a limited basis and is expected to be in full operation by mid-September.

2. Establishment of IWG Procedures

Administrative Memorandum, IWG/AM-8, prepared by IWG and distributed by the Executive Secretary, EDAC, throughout the EDAC structure, provided: (a) uniform procedures for the production and subsequent approval for release of IWG intelligence; (b) furnished a summary of current pertinent

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TAB D

instructions covering dissemination of economic defense intelligence to U.S. Government agencies and foreign nationals; and (c) outlined procedures to be followed in the establishment of IWG subgroups and in the production of IWG reports.

3. Lateral Field Dissemination of East-West Trade Information

At the request of the Chairman, EDAC Steering Group (now Executive Committee), the IWG undertook to coordinate the interagency preparation of instructions to field representatives for lateral distribution of current intelligence concerning suspected diversions of strategic commodities to the Soviet bloc. It is understood that the Department of Defense will issue similar instructions to its intelligence representatives overseas upon receipt of agreed instructions to the Foreign Service covering State, Commerce and CIA.

4. Intelligence Exploitation of Soviet Bloc Equipment

The IWG distributed to each of its three Service members, to Chief, SOVMAT, CIA, and to the Director of the Joint Material Intelligence Agency (now Joint Technical Intelligence Subcommittee of JIC) a memorandum listing four general categories of information about Soviet bloc equipment of significance to the IWG and the EDAC agencies. Cooperation of the Director, JTIS, was requested to insure that relevant analyses and intelligence prepared by his Agency were furnished to the IWG. Such analyses have been useful in connection with the development of intelligence on the quality and composition of commodities and methods of production within the Soviet bloc.

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